

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 CG-00 DOTE-00 FMC-01  
ERDA-05 AID-05 CEA-01 CIAE-00 DODE-00 FPC-01 H-01  
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USMISSION USNATO  
AMCONSUL KRAKOW POUCH  
AMCONSUL POZNAN POUCH

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E.O. 11652: N/A  
TAGS: EWWT ENRG EEWT EIND PL US UR  
SUBJ: FIRST POLISH SHIP BUILT FOR AMERICAN OWNERS CHRISTENED  
AT GDYNIA: MORE COMING UP

1. SUMMARY. ON OCTOBER 27, THE FIRST SHIP EVER TO BE BUILT IN  
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POLAND FOR AN AMERICAN FIRM WAS CHRISTENED AT GDYNIA IN A  
CEREMONY WHICH SYMBOLIZED THE SPECIAL CHARACTER OF POLAND'S  
ECONOMIC TIES WITH THE UNITED STATES. THE LPG (LIQUID PETROLEUM  
GAS) TANKER NORTHERN ARROW WAS ORDERED BY THE NORTHERN NATURAL  
GAS COMPANY OF OMAHA, NEBRASKA. A SISTERSHIP, THE NORTHERN EAGLE,  
ALSO ORDERED BY NORTHERN NATURAL GAS, WILL BE COMPLETED AT THE  
GDYNIA YARDS IN THE SPRING OF 1978. GDANSK SHIPYARD OFFICIALS

HAVE CONFIRMED THE RECEIPT OF ANOTHER AMERICAN ORDER, FROM UNITED FRUIT FOR TWO BULK-CARGO SHIPS. POLAND'S SHIPYARDS NOW HAVE ORDERS THROUGH THE END OF 1979, AN INDICATION OF THE COMPETITIVENESS OF THEIR LOW PRICES IN A PERIOD WHEN EXCESS SHIPBUILDING CAPACITY IN MOST WESTERN COUNTRIES HAS CAUSED EMPTY ORDER BOOKS AND INCREASED GOVERNMENT SUBSIDIES. END SUMMARY.

2. THE NORTHERN ARROW AND NORTHERN EAGLE WILL BE USED BY NORTHERN NATURAL GAS TO CARRY LIQUEFIED PROPANE FROM KUWAIT TO HOUSTON, WHERE A SPECIAL TERMINAL IS BEING BUILT TO HANDLE PROPANE CARGOES AND STORAGE. THE SHIPS ARE EACH ABOUT 100,000 GROSS REGISTERED TONS AND CONTAIN FOUR TANKS, CONSTRUCTED OF SPECIAL STEEL, WHICH WILL CARRY LIQUEFIED PROPANE GAS AT A TEMPERATURE OF MINUS FIFTY DEGREES CENTIGRADE. THEY ARE 751 FEET LONG, 105 FEET WIDE, AND ARE POWERED BY DIESEL ENGINES BUILT BY THE CEGIELSKI PLANT IN POZNAN.

3. THE ACTUAL CIRCUMSTANCES OF THE CHRISTENING CEREMONY, WHICH TOOK PLACE ON A COLD, GRAY OCTOBER AFTERNOON, SEEMED SYMBOLIC OF POLAND'S GROWING ECONOMIC TIES WITH THE UNITED STATES DESPITE THE OVERWHELMING PRESENCE OF ITS EASTERN NEIGHBOR. AT THE NEXT PIER, AND ALSO NEARING COMPLETION, WAS AN EQUALLY LARGE, GREEN-HULLED TANKER BEARING THE WORDS "GENERAL ZHUKOV, NOVOROSIYSK" IN CYRILLIC LETTERS. THE CHAMPAGNE FOR THE CHRISTENING WAS SOVIET. BUT AMERICAN FLAGS DECORATED THE AREA AND WHEN MRS. WILLIS STRAUSS, WIFE OF THE NORTHERN NATURAL GAS BOARD CHAIRMAN, SENT THE BOTTLE LIMITED OFFICIAL USE

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SMASHING AGAINST NORTHERN ARROW'S SIDE, THE BAND PLAYED THE STAR SPANGLED BANNER AS BOTH POLES AND AMERICANS STOOD AT ATTENTION.

4. NORTHERN NATURAL GAS OFFICIALS TOLD EMBASSY OFFICERS THAT PRICE AND PERFORMANCE WERE THE TWO LEADING FACTORS WHICH PERSUADED THEM TO AWARD THE CONTRACT FOR THE TWO SHIPS TO POLAND. TWO YEARS AGO, THEY SAID, THE FIRM MADE A PRELIMINARY APPROACH TO NORWAY, BUT DISCOVERED THAT THE NORWEGIANS THEMSELVES WERE HAVING LPG TANKERS BUILT IN POLAND. THE PRICE FOR EACH SHIP AT THE GDYNIA YARDS IS AN EVEN FIFTY MILLION DOLLARS. NORTHERN NATURAL GAS FINANCIAL OFFICER DALE TE KOLSTE BELIEVES THE JAPANESE MIGHT NOW BE ABLE TO UNDERCUT THIS FIGURE, BUT HE SAID HIS FIRM IS NEVERTHELESS VERY SATISFIED WITH WHAT IT IS GETTING IN POLAND. AN AMERICAN RESIDENT ADVISER, A FORMER U.S. COAST GUARD OFFICER, HAS SUPERVISED CONSTRUCTION TO MAKE SURE THAT BOTH SHIPS CONFORM WITH ALL UNITED STATES TECHNICAL AND SAFETY REQUIREMENTS.

5. DURING A LUNCHEON GIVEN BEFORE THE CEREMONY, GDYNIA SHIPYARD DIRECTOR TADEUSZ BORKOWSKI TOLD AMBASSADOR DAVIES THAT UNITED POLISH SHIPYARDS HAS JUST RECEIVED AN ORDER FROM STANDARD BRANDS' UNITED FRUIT COMPANY FOR TWO GENERAL CARGO SHIPS AT A PRICE OF ABOUT US DOLS 17 MILLION EACH, WITH AN OPTION TO ORDER A THIRD AT

THE SAME PRICE. BORKOWSKI ALSO SAID THAT POLAND'S MAJOR YARDS (GDYNIA, GDANSK, SZCZECIN) NOW HAVE ORDERS FOR FULL PRODUCTION THROUGH THE END OF 1979.

6. COMMENT. ALTHOUGH POLAND'S RANKING WAS ELEVENTH IN THE NUMBER OF SHIPS LAUNCHED BY EUROPEAN COUNTRIES IN 1976, AND THIRTEENTH IN THE WORLD, IT SEEMS PROBABLE THAT LOW POLISH PRICES, PLUS A REPUTATION FOR GOOD WORKMANSHIP, HAVE INSULATED IT FROM THE SEVERE RECESSION WHICH HAS HIT WESTERN YARDS. RECENT FINDINGS OF THE INTERNATIONAL MARITIME FORUM IN LONDON SHOW THAT MOST WESTERN SHIPBUILDING COUNTRIES ARE NOT ONLY PLAGUED BY OVER CAPACITY, BUT ARE ALSO HAVING DIFFICULTY IN COMPETING WITH JAPAN, KOREA AND YUGOSLAVIA. POLAND MIGHT WELL HAVE BEEN ADDED AS A FOURTH LOW-COST, COMPETITOR. WHETHER THE POLES WILL BE ABLE TO MAINTAIN LIMITED OFFICIAL USE

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THEIR PRICING EDGE IS AN OPEN QUESTION. ACCORDING TO GDYNIA'S TECHNICAL DIRECTOR, STANISLAW ZACZEK, ONE-THIRD OF NORTHERN ARROW'S STRUCTURE AND EQUIPMENT HAD TO BE IMPORTED FROM WESTERN COUNTRIES FOR HARD CURRENCY. THUS, EVEN IF POLISH LABOR COSTS REMAIN LOW, THE NECESSITY OF DEALING WITH IMPORTED INFLATION WILL BE A CONTINUING PROBLEM. NEVERTHELESS, THE CEREMONIES AT GDYNIA OCTOBER 27 MARKED THE ENTRY OF US FIRMS INTO A SECTOR OF POLISH EXPORT TRADE WHICH HAS BEEN DOMINATED BY THE USSR SINCE WORLD WAR II. AND IT ALSO CONSTITUTED A SMALL, BUT DEFINITELY VISIBLE, INCREASE IN THE AMERICAN ECONOMIC PRESENCE IN POLAND. DAVIES

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